growth strategy. However, the process of integrating acquired paging businesses may involve unforeseen difficulties and may require a disproportionate amount of the time and attention of Arch's management. No assurance can be given that suitable acquisitions can be identified, financed and completed on acceptable terms, or that any future acquisitions by Arch will be successful.

Implementation of Arch's growth strategy will be subject to numerous other contingencies beyond the control of its management. These contingencies include national and regional economic conditions, interest rates, competition, changes in regulation or technology and the ability to attract and retain skilled employees. Accordingly, no assurance can be given that Arch's growth strategy will prove effective or that its goals will be achieved.

7. Future Capital Needs; Uncertainty of Additional Funding.

Arch's business strategy requires, and subsequent to the Merger will continue to require, the availability of substantial funds to finance the continued development and future growth and expansion of its operations, including possible acquisitions. The amount of capital required by Arch following the Merger will depend upon a number of factors, including subscriber growth, the type of paging devices and services demanded by customers, service revenues, technological developments, marketing and sales expenses, competitive conditions, the nature and timing of Arch's NPCS strategy, acquisition strategies and other opportunities. No assurance can be given that additional equity or debt financing will be available to Arch when needed on acceptable terms, if at all. The unavailability of sufficient financing when needed could have a material adverse effect on Arch and its ability to make payments with respect to its outstanding indebtedness when due.

8. Competition and Technological Change.

Arch and the Debtors each face competition from other paging service providers in all markets in which they operate, as well as from certain competitors that hold nationwide licenses. Monthly fees for basic paging services have, in general, declined in recent years, due in part to competitive conditions, and Arch may face significant price-based competition in the future which could have a material adverse effect on them. Certain of Arch's and the Debtors' competitors possess greater financial, technical and other resources than will Arch following the Merger. A trend towards increasing consolidation in the paging industry in particular and the wireless communications industry in general in recent years has led to competition from increasingly larger and better capitalized competitors. If any of such competitors were to devote additional resources to the paging business or focus on Arch's or the Reorganized Debtors' particular markets, there could be a material adverse effect on them following the Merger.

Competitors are currently using and developing a variety of two-way paging technologies. Neither Arch nor the Debtors presently offer their customers such two-way services, other than as a reseller. Although such services generally are higher priced than traditional one-way paging services, technological improvements could result in increased capacity and efficiency for such two-way paging technologies and, accordingly, could result in increased competition for Arch or the Reorganized Debtors. Future technological advances in the telecommunications industry could increase new services or products competitive with the paging services provided by Arch or the Reorganized Debtors or could require Arch and the Reorganized Debtors to reduce the price of their paging services or incur additional capital expenditures to meet competitive requirements. Recent and proposed regulatory changes by the FCC are aimed at encouraging such technological advances and new services. Other forms of wireless two-way communications technology, including cellular and broadband personal communications services ("PCS"), and specialized mobile radio services, also compete with the paging services that Arch and the Debtors currently provide. While such services are primarily focused on two-way voice communications, service providers could elect to provide paging services as an adjunct to their primary services. Technological change also may affect the value of the pagers owned by Arch and the Reorganized Debtors and leased to their respective subscribers. If Arch's or the Reorganized Debtors' subscribers request more technologically advanced pagers, including, but not limited to, two-way pagers, Arch or the Reorganized Debtors could incur additional inventory costs and capital expenditures if required to replace pagers leased to its subscribers within a short period of time. Such additional investment or capital expenditures could have a material adverse effect on Arch and the Reorganized Debtors. There can be no assurance that Arch or the Reorganized Debtors will be able to compete successfully with current and future competitors in the paging business or with competitors offering alternative communication technologies.

9. Government Regulation, Foreign Ownership and Possible Redemption.

The paging operations of Arch and the Debtors are subject to regulation by the FCC and various state regulatory agencies. The FCC paging licenses granted to Arch and the Debtors are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. In the past, paging license renewal applications generally have been granted by the FCC upon a showing of compliance with FCC regulations and of adequate service to the public. With the exception of the pending FCC proceeding regarding the Debtors' qualifications to remain an FCC licensee, Arch and the Debtors are unaware of any circumstances that would prevent the grant of any pending or future renewal applications; however, no assurance can be given that any of Arch's or the Debtors' renewal applications will be free of challenge or will be granted by the FCC. It is possible that there may be competition for radio spectrum associated with licenses as they expire, thereby increasing the chances of third party interventions in the renewal proceedings. Other than those renewal applications still pending, the FCC has thus far granted each license renewal application that Arch and the Debtors have filed. There can be no assurance that the FCC and various state regulatory agencies will not propose or adopt regulations or take actions that would have a material adverse effect on Arch or the Debtors or, if the Merger is consummated, on the combined company following the Merger.

The FCC's review and revision of rules affecting paging companies is ongoing and the regulatory requirements to which Arch and the Debtors are subject may change significantly over time. For example, the FCC has decided to adopt a market area licensing scheme for all paging channels under which carriers would be licensed to operate on a particular channel throughout a broad geographic area (for example, a Major Trading Area as defined by Rand McNally) rather than being licensed on a site-by-site basis. These geographic area licenses will be awarded pursuant to auction. Incumbent paging licensees that do not acquire licenses at auction will be entitled to interference protection from the market area licensee. Arch and the Debtors are each participating actively in this proceeding in order to protect their existing operations and retain flexibility, on an interim and long-term basis, to modify systems as necessary to meet subscriber demands. The FCC has issued a Further Notice of Proposed Rulemaking in which the FCC seeks comments on, among other matters, whether it should impose coverage requirements on licensees with nationwide exclusivity (such as Arch and the Debtors), whether these coverage requirements should be imposed on a nationwide or regional basis and whether, if such requirements are imposed, failure to meet the requirements should result in a revocation of the entire nationwide license or merely a portion of the license. If the FCC were to impose stringent coverage requirements on licensees with nationwide exclusivity, Arch and the Debtors might have to accelerate the build-out of their systems in certain areas.

Changes in regulation of Arch's and the Debtors' paging businesses or the allocation of radio spectrum for services that compete with Arch's and the Debtors' business could adversely affect their results of operations. In addition, some aspects of the 1996 Act may place additional burdens upon them or subject them to increased competition. For example, the FCC has adopted new rules that govern compensation to be paid to pay phone providers which has resulted in increased costs for certain paging services including toll-free 800 number paging. Arch and the Debtors have generally passed these costs on to their subscribers, which makes their services more expensive and which could affect the attraction or retention of customers; however, there can be no assurance that Arch and the Reorganized Debtors will be able to continue to pass on these costs. These rules are the subject of several judicial appeals. In addition, the FCC also has adopted new rules regarding payments by telecommunications companies into a revamped fund that will provide for the widespread availability of telecommunications services, including to low-income consumers ("Universal Service"). Prior to the implementation of the 1996 Act, Universal Service obligations largely were met by local telephone companies, supplemented by long-distance telephone companies. Under the new rules, certain telecommunications carriers, including Arch and the Debtors, are required to contribute to a revised fund created for Universal Service (the "Universal Service Fund"). In addition, certain state regulatory authorities have enacted, or have indicated that they intend to enact, similar contribution requirements based on state revenues. Neither Arch nor the Debtors can yet know the impact of these state contribution requirements, if enacted and applied to Arch and the Debtors. Moreover, neither Arch nor the Debtors is able at this time to estimate the amount of any such payments that it will be able to bill to their subscribers; however, payments into the Universal Service Fund will likely increase the cost of doing business.

Moreover, in a rulemaking proceeding pertaining to interconnection between local exchange carriers ("LECs") and commercial mobile radio services ("CMRS") providers such as the

Debtors and Arch, the FCC has concluded that LECs are required to compensate CMRS providers for the reasonable costs incurred by such providers in terminating traffic that originates on LEC facilities, and vice versa. Consistent with this ruling, the FCC has determined that LECs may not charge a CMRS provider or other carrier for terminating LEC-originated traffic or for dedicated facilities used to deliver LEC-originated traffic to one-way paging networks, nor may LECs charge CMRS providers for number activation and use fees. These interconnection issues are still in dispute, and it is unclear whether the FCC will maintain its current position. Depending on further FCC disposition of these issues, Arch and the Debtors may or may not be successful in securing refunds, future relief or both, with respect to charges for termination of LEC-originated local traffic. If these issues are ultimately resolved by the FCC in Arch's and the Debtors' favor, then Arch and the Debtors will pursue relief through settlement negotiations, administrative complaint procedures or both. If these issues are ultimately decided in favor of the LECs, Arch and the Debtors likely would be required to pay all past due contested charges and may also be assessed interest and late charges for the withheld amounts. Although these requirements have not to date had a material adverse effect on Arch or the Debtors, these or similar requirements could in the future have a material adverse effect on Arch or the Reorganized Debtors.

The Communications Act also limits foreign investment in and ownership of entities that are licensed as radio common carriers by the FCC. Arch and MobileMedia own or control several radio common carriers and are accordingly subject to these foreign investment restrictions. Because Arch and MobileMedia are each individually parents of radio common carriers (but are not radio common carriers themselves), Arch and MobileMedia are limited to having 25% of their stock owned or voted by aliens or their representatives, a foreign government or their representatives or a foreign corporation. The FCC has the authority to waive this restriction unless the public interest would be served by denying such waiver. In connection with the World Trade Organization Agreement (the "WTO Agreement") -- agreed to by 69 countries -- the FCC adopted rules effective February 9, 1998 that create a very strong presumption in favor of such a waiver if the foreign investor's home market country signed the WTO Agreement. Arch's and MobileMedia's subsidiaries that are radio common carrier licensees are subject to more stringent requirements and may have only up to 20% of their stock owned or voted by aliens or their representatives, a foreign government or their representatives or a foreign corporation. This ownership restriction is not subject to waiver. Arch's Restated Certificate of Incorporation permits the redemption of shares of Arch's capital stock from foreign stockholders where necessary to protect FCC licenses held by Arch or its subsidiaries, but such redemption would be subject to the availability of capital to Arch and any restrictions contained in applicable debt instruments and under state law (which currently would not permit any such redemptions). The failure to redeem such shares promptly could jeopardize the FCC licenses held by Arch or its subsidiaries (including the Reorganized Debtors following the Merger).

10. High Degree of Leverage After the Merger.

Each of Arch and Communications is, and after the consummation of the Merger the combined company will continue to be, highly leveraged. At June 30, 1998, Arch's total long-term debt was $1.0 billion compared with total assets of $971.5 million and latest six-month annualized EBITDA of $139.5 million. Communications' total long-term debt was $1.1 billion compared with total assets of $596.4 million and latest six month annualized EBITDA (before restructuring costs) of $123.8 million at June 30, 1998. After giving effect to the Merger, the sale of the Tower Assets to Pinnacle, the elimination of the Debtors' pre-petition debt under the Plan and the incurrence of additional debt by Arch in connection with the Merger, on a pro forma basis at June 30, 1998, the combined company would have had long-term debt of $1.3 billion compared with total assets of $1.8 billion and latest six-month annualized EBITDA of $250.9 million. Arch's high degree of leverage may have adverse consequences for Arch, including: (a) if necessary, the ability of Arch to obtain additional financing for acquisitions, working capital, capital expenditures or other purposes, may be impaired or extinguished or such financing may not be available on acceptable terms, if at all; (b) a substantial portion of the EBITDA of Arch will be required to pay interest expense, which will reduce the funds which would otherwise be available for operations and future business opportunities; (c) the amended credit facility and the indentures under which certain Arch notes are outstanding contain financial and restrictive covenants, the failure to comply with which may result in an event of default which, if not cured or waived, could have a material adverse effect on Arch; (d) Arch may be more highly leveraged than its competitors which may place it at a competitive disadvantage; (e) Arch's high degree of leverage will make it more vulnerable to a downturn in its business or the economy generally; and (f) Arch's high degree of leverage may impair its ability to participate in the anticipated future consolidation of the paging industry. In April 1997, Arch reordered its operating priorities to improve capital efficiency and strengthen its balance sheet by placing a higher priority on leverage reduction than subscriber unit growth. As part of its reordered operating priorities, Arch has implemented various initiatives to reduce capital costs while sustaining acceptable levels of unit and revenue growth. As a result, Arch's rate of internal growth in pagers in service has slowed and is expected to remain below the rates of internal growth previously achieved by Arch, but Arch has not yet reduced its financial leverage significantly. There can be no assurance that Arch will be able to reduce its financial leverage significantly or that Arch will achieve an appropriate balance between growth that it considers acceptable and future reductions in financial leverage. If Arch is not able to achieve continued growth in EBITDA, it may be precluded from incurring additional indebtedness due to cash flow coverage requirements under existing debt instruments.

11. Subscriber Turnover.

The results of operations of wireless messaging service providers, such as Arch and the Debtors, can be significantly affected by subscriber cancellations. Since filing for bankruptcy protection, the Debtors have experienced a significant decline in subscribers. The sales and marketing costs associated with attracting new subscribers are substantial relative to the costs of providing service to existing customers. Because the paging business is characterized by high fixed costs, disconnections directly and adversely affect EBITDA. An increase in the subscriber cancellation rate could have a material adverse effect on Arch or the Reorganized Debtors.

12. Dependence on Third Parties.

Neither Arch nor the Debtors manufactures any of the pagers used in their respective paging operations. Arch and the Debtors each buy pagers primarily from Motorola and NEC and therefore are dependent on such manufacturers to obtain sufficient pager inventory for new subscriber and replacement needs. In addition, Arch and the Debtors purchase terminals and transmitters primarily from Glenayre and Motorola and thus are dependent on such manufacturers for sufficient terminals and transmitters to meet their expansion and replacement requirements. To date, neither Arch nor the Debtors has experienced significant delays in obtaining pagers, terminals or transmitters (other than in the period preceding the Debtors' bankruptcy filing), but there can be no assurance that Arch and the Reorganized Debtors will not experience such delays in the future. Arch's purchase agreement with Motorola expires on June 19, 1999, although it contains a provision for automatic renewal for one-year terms. Communications' agreement with Motorola will expire on February 6, 1999, although it provides for automatic renewal for one-year terms. In addition, under the terms of the current contract, on the Effective Date, Reorganized Communications will need to provide Motorola with credit support. There can be no assurance that Arch's or Communication's agreements with Motorola will be renewed or, if renewed, that such agreements will be on terms and conditions as favorable as those under the current agreements. Although Arch believes that sufficient alternative sources of pagers, terminals and transmitters exist, there can be no assurance that Arch would not be materially adversely affected if it were unable to obtain these items from current supply sources or on terms comparable to existing terms. Finally, Arch and the Debtors rely on these parties to provide satellite transmission for some aspects of their paging services. To the extent there are satellite outages, Arch and the Reorganized Debtors may experience a loss of service until such time as satellite coverage is restored.

13. Possible Acquisition Transactions.

Arch has advised the Debtors that it believes that the paging industry will undergo further consolidation, and that it expects to participate in such consolidation. Arch has evaluated and expects to continue to evaluate possible acquisition transactions on an ongoing basis and at any given time may be engaged in discussions with respect to possible acquisitions or other business combinations. The process of integrating acquired paging businesses may involve unforeseen difficulties and may require a disproportionate amount of the time and attention of Arch's management and financial and other resources. No assurance can be given that suitable acquisition transactions can be identified, financed and completed on acceptable terms, that Arch's future acquisitions will be successful, or that Arch will participate in any future consolidation of the paging industry.

14. Dependence on Key Personnel.

The success of Arch and the Reorganized Debtors subsequent to the Merger will depend, to a significant extent, upon the continued services of a relatively small group of executive personnel. Arch does not have employment agreements with, or maintain key man life insurance on the lives of, any of its current executive officers, although certain executive officers have entered into non-competition agreements and all executive officers have entered into executive retention agreements with Arch. The loss or unavailability of one or more of either Arch's or the Debtors' executive officers or the inability to attract or retain key employees in the future could have a material adverse effect on Arch and the Reorganized Debtors.

15. Impact of the Year 2000 Issue.

Arch is currently upgrading its information systems in a manner which is also intended to resolve the potential impact of the Year 2000 problem on the processing of date-sensitive information by Arch's computerized systems and transmission equipment. The Year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of Arch's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar customary business activities.

In 1997, Arch designated members of its Information Services and Engineering departments to assess the impact of the Year 2000 problem on its information systems and the information systems of its customers, vendors and other parties that service or otherwise interact with Arch. Data processing for Arch's major operating systems is conducted in-house using programs developed primarily by third-party vendors. An assessment of inventory and Year 2000 readiness for all systems and applications has been substantially completed and most third-party vendors who provide applications to Arch have been contacted. Arch intends to bring its major operating systems and outsourced applications into compliance with Year 2000 requirements through the installation of updated or replacement programs developed by third parties or by new and enhanced software programs developed internally. Arch currently believes that it will be able to modify or replace any affected systems by September 30, 1999 in order to minimize any detrimental effects on Arch's operations.

Arch expects that it will incur costs to replace existing hardware and software which will be capitalized and amortized in accordance with Arch's existing accounting policies, while maintenance or modification costs will be expensed as incurred. Based on Arch's preliminary estimate of the costs to be incurred, Arch does not expect that resolution of the Year 2000 problem will have a material adverse effect on its results of operations and financial condition. Costs of the Year 2000 project are based on current estimates and actual results may vary significantly from such estimates. The ability of third parties with whom Arch transacts business to adequately address their Year 2000 issues is outside Arch's control. If Arch, its customers or vendors are unable to resolve Year 2000 issues in a timely manner, there could be a material adverse effect on Arch.

The Debtors are aware that certain of their software and paging systems require modification, and are in the process of determining the full extent to which they will be required to modify or replace significant portions of their software and paging systems so that systems function properly with respect to dates in the year 2000 and thereafter. At present, the Debtors do not have an estimate of the cost that may be incurred to comply with the Year 2000 issue. If such modifications and conversions are not made, or are not completed on a timely basis, the Year 2000 issue could have a material adverse effect on the operations of the Reorganized Debtors.

16. No Dividends.

Neither Arch nor MobileMedia has ever declared or paid cash dividends. Neither Arch nor MobileMedia intends, and if the Merger is consummated, Arch does not intend, to declare or pay any cash dividends in the foreseeable future. Certain covenants in Arch's credit facility and other Arch debt instruments effectively prohibit the declaration or payment of cash dividends by Arch for the foreseeable future. In addition, the terms of Arch's Series C Preferred Stock generally prohibit the payment of cash dividends on Arch Common Shares unless all accrued and unpaid dividends on the Series C Preferred Stock are paid in full.

17. History of Losses.

Neither Arch nor Communications has reported any net income since their respective inceptions. Arch reported net losses of $36.6 million, $114.7 million, $181.9 million and $109.8 million in the fiscal years ended December 31, 1995, 1996 and 1997, and the six months ended June 30, 1998, respectively. Communications reported net losses of $41.1 million, $1.1 billion, $124.6 million and $37.3 million in the years ended December 31, 1995, 1996 and 1997 and the six months ended June 30, 1998, respectively. For the year ended December 31, 1997 and the six months ended June 30, 1998 and after giving effect to the Merger, Arch would have incurred, on a pro forma unaudited basis, a loss before extraordinary items of $313.9 million and $154.5 million, respectively.

For both Arch and Communications, these historical and pro forma net losses have resulted principally from substantial depreciation and amortization expense, primarily related to intangible assets and pager depreciation, interest expense, the impairment of long-lived assets (in the case of Communications) and other costs of growth. Substantial and increased amounts of debt are expected to be outstanding for the foreseeable future, which will result in significant additional interest expense which could have a material adverse effect on Arch following the Merger. Arch expects to continue to report net losses for the foreseeable future, whether or not the Merger is consummated.

18. Volatility of Trading Price.

The market price of Arch Common Shares is subject to significant fluctuation. Between July 1, 1997 and June 30, 1998, the reported sale price of Arch Common Shares on the Nasdaq National Market has ranged from a low of $3.00 per share to a high of $9.50 per share. The trading price of Arch Common Shares following the Merger will likely be affected by numerous factors, including the risk factors set forth herein, as well as prevailing economic and financial trends and conditions in the public securities markets. During recent periods, share prices of companies in technology businesses, and particularly paging companies such as Arch and MobileMedia, have exhibited a high degree of volatility. Shortfalls in revenues or earnings from the levels anticipated by the public markets could have an immediate and significant adverse effect on the trading price of Arch Common Shares in any given period. Such shortfalls may result from events that are beyond Arch's immediate control, can be unpredictable and, because a significant proportion of Arch's sales during each fiscal quarter may tend to occur in the latter stages of the quarter, may not be discernible until the end of a financial reporting period, which may contribute to the volatility of the trading value of Arch's shares regardless of Arch's long-term prospects. The trading price of Arch's shares may also be affected by developments, including reported financial results and fluctuations in trading prices of the shares of other publicly held companies in the paging industry generally, which may not have any direct relationship with Arch's business or prospects.

19. Risks Relating to the Combined Company Projections.

The managements of Arch and the Debtors have jointly prepared the combined company pro forma projections attached hereto as Exhibit E, in connection with the development of the Plan to present the projected effects of the Plan and the transactions contemplated thereby if the Merger is consummated. The Combined Company Projections assume the Plan and the transactions contemplated thereby will be implemented in accordance with their terms. The assumptions and estimates underlying such Combined Company Projections are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those projected, including, among others, those enumerated therein. Accordingly, the Combined Company Projections are not necessarily indicative of the future financial condition or results of operations of the combined company following the Merger, which may vary significantly from those set forth in the Combined Company Projections. Consequently, the projected financial information contained herein should not be regarded as a representation by Arch, Arch's advisors, the Debtors, the Debtors' advisors or any other person that the Combined Company Projections can or will be achieved.

20. Certain Federal Income Tax Considerations; Possible Loss of Corporate Tax Benefits.

It is anticipated that § 382 of the Tax Code will limit the amount of income earned by Arch after the Merger that may be offset by Arch's net operating loss carryforwards and other tax attributes. It is also anticipated that the net operating loss carryforwards and possibly other tax attributes of Communications will be substantially reduced as a result of consummation of the Plan pursuant to sections 382 and 108 of the Tax Code.

21. Arch's Amended Credit Facility and Indenture Restrictions.

Arch's credit facility and indentures impose certain operating and financial restrictions on Arch. The credit facility requires Arch's wholly owned subsidiary, Arch Paging, Inc. ("API"), and in some cases ACI, to maintain specified financial ratios, among other obligations, including a maximum leverage ratio and a minimum fixed charge coverage ratio, each as defined in Arch's amended credit facility. In addition, the amended credit facility limits or restricts, among other things, API's ability to: (a) declare dividends or redeem or repurchase capital stock; (b) prepay, redeem or purchase debt; (c) incur liens and engage in sale/leaseback transactions; (d) make loans and investments; (e) incur indebtedness and contingent obligations; (f) amend or otherwise alter debt instruments and other material agreements; (g) engage in mergers, consolidations, acquisitions and asset sales; (h) engage in transactions with affiliates; and (i) alter its lines of business or accounting methods. In addition, Arch's indentures limit, among other things: (u) the incurrence of additional indebtedness by Arch and its Restricted Subsidiaries (as defined therein); (v) the payment of dividends and other restricted payments by Arch and its restricted subsidiaries (as defined in its indentures); (w) asset sales; (x) transactions with affiliates; (y) the incurrence of liens; and (z) mergers and consolidations. Arch's ability to comply with such covenants may be affected by events beyond its control, including prevailing economic and financial conditions. A breach of any of these covenants could result in a default under Arch's amended credit facility and/or Arch's indentures. Upon the occurrence of an event of default under the amended credit facility or Arch's indentures, the creditors could elect to declare all amounts outstanding, together with accrued and unpaid interest, to be immediately due and payable. If Arch were unable to repay any such amounts, the creditors could proceed against the collateral securing such indebtedness. If the lenders under the amended credit facility accelerate the payment of such indebtedness, there can be no assurance that the assets of Arch would be sufficient to repay in full such indebtedness and the other indebtedness of Arch. In addition, because the amended credit facility and Arch's indentures limit its ability to engage in certain transactions except under certain circumstances, Arch may be prohibited from entering into transactions that could be beneficial to Arch. Arch will be entering into additional indentures in connection with the Merger Agreement and the Plan.

22. Significant Fluctuations in Revenues and Operating Results.

Arch and the Debtors have experienced significant fluctuations in its revenues and operating results from quarter to quarter and year to year, and it expects these fluctuations to continue in the future. Arch believes that future fluctuations in revenues and operating results are likely as the result of many factors, including competition, subscriber turnover, new service developments and technological change. Arch's current and planned debt repayment levels are, to a large extent, fixed in the short term, and are based in part on its expectations as to future revenues. Arch may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. Consequently, revenues are difficult to forecast and may vary significantly from quarter to quarter or year to year and revenues or results of operations in any period will not necessarily be indicative of revenues or operating results in subsequent periods and should not be relied upon as any indication of future performance.

Due to the foregoing or other factors, it is likely that such quarterly fluctuations in revenue or operating results will from time to time not meet the expectations of securities analysts or investors, which may have a material adverse effect on the price of Arch Common Shares.

23. Divisional Reorganization of Arch.

In June 1998, the Arch Board approved a reorganization of its operations (the "Divisional Reorganization"). As part of such reorganization, which will be implemented over a period of 18 to 24 months, Arch plans to consolidate its seven operating divisions into four operating divisions, and consolidate certain regional administrative support functions, resulting in various operating efficiencies. Once fully implemented, the Divisional Reorganization is expected to result in annual cost savings of approximately $15.0 million. In connection with the reorganization, Arch (a) anticipates a net reduction of approximately 10% of its workforce, (b) plans to close certain office locations and redeploy other real estate assets and (c) recorded a restructuring charge of $16.1 million in the second quarter of 1998. The restructuring charge consisted of approximately (i) $9.7 million for employee severance and benefits, (ii) $3.5 million for lease obligations and terminations and (iii) $2.9 million for the writedown of related assets. There can be no assurance that the desired cost savings will be achieved or that the anticipated restructuring of Arch's business will be accomplished smoothly, expeditiously or successfully. The difficulties of such restructuring may be increased by the need to integrate the Reorganized Debtors' operations in multiple locations and to combine two corporate cultures. The inability to successfully integrate the operations of the Reorganized Debtors could have a material adverse effect on Arch.

24. Anti-Takeover Provisions.

The Arch Restated Certificate of Incorporation (the "Arch Certificate") and By-laws (the "Arch By-Laws") include provisions for a classified Board of Directors, the issuance of "blank check" preferred stock (the terms of which may be fixed by the Arch Board without further stockholder approval), a prohibition on stockholder action by written consent in lieu of a meeting and certain procedural requirements governing stockholder meetings. In addition, Section 203 of the Delaware General Corporation Law will, with certain exceptions, prohibit Arch from engaging in any business combination with any "interested stockholder" (as defined therein) for a three-year period following the date that such stockholder becomes an interested stockholder. Such provisions may have the effect of delaying, making more difficult or preventing a change in control or acquisition of Arch.

V. SUMMARY OF THE PLAN OF REORGANIZATION

A. Description and Classification of Claims and Interests

The following Section V.A describes the significant Claims and Interests in the Debtors' Cases and the manner in which they are classified in the Plan. First, it discusses in general the Debtors' Schedules (reflecting, among other things, the Debtors' liabilities as reflected in their books and records), the proofs of claim filed in the Cases and the Claim objection process. Next, it outlines the significant categories of Claims against the Debtors with estimates as of __________, 1998 of the Allowed Claims. Finally, it summarizes the classification scheme for Claims and Interests established in the Plan.

1. Description of Claims Generally.

The Debtors filed the Schedules (which have subsequently been amended) on March 26, 1997. By order of the Bankruptcy Court, June 16, 1997 (the "Bar Date") was fixed as the last day by which the holders of certain claims could file their proofs of claim. A holder of a claim listed on the Schedules as liquidated, noncontingent and undisputed, and as to which the holder agreed with the claim amount set forth in the Schedules, was not required to file a proof of claim. More than 2,400 claims were filed against the Debtors. The Debtors have objected to numerous claims and continue the process of reviewing each remaining proof of claim, as well as reconciling the claimants and the claimed amounts with the Debtors' books and records and analyzing the factual and legal bases of these proofs of claim. Following the completion of such analyses and reconciliation, the Debtors will contact claimants regarding variances between the Debtors' books and records and the asserted claim amounts. As a result of the Debtors' preliminary analysis of Claims, the Debtors resolved more than 1,260 claims pursuant to orders entered by the Bankruptcy Court, and have analyzed and resolved more than 850 other claims. As necessary, and in accordance with the terms of the Plan, the Debtors will continue to file formal objections to claims with the Bankruptcy Court.

2. Estimated Amount of Allowed Claims.

The following chart outlines the estimated amount of the Allowed Claims included in each Class under the Plan, except for Allowed Claims for fees and expenses and contingent and unliquidated claims. The estimated amounts set forth herein constitute projections as of _________, 1998, and are rounded, in most instances, to the nearest one-hundred thousand.[15]

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[15] The estimates set forth in this chart and otherwise in this Disclosure Statement are for descriptive purposes only, and do not and shall not constitute an admission as to the Debtors' obligations with respect to any such claims.

Class	Description	Estimate of Allowed Claim Amount
1	Priority Claims	
2	Miscellaneous Secured Claims	
3	Customer Refund Claims	
4	1995 Credit Agreement Claims	
	Principal	
	Interest	
	Miscellaneous Fees	
	Costs and Expenses	
5	Dial Page Note Claims	
	Principal	
	Interest	
	Trustee fees	
6	General Unsecured Claims	
	9⅜% Notes	
	10½ Notes	
	Other Unsecured Claims	
7	Note Litigation Claims	
8	Common Stock Claims and Interests and Subordinated Indemnification Obligation Claims	
9	Subsidiary Claims and Interests	______
	TOTAL	$

3. Description of Claims and Interests; Summary of Classification Scheme.

The Plan divides the holders of Claims and Interests, except administrative claims and priority tax claims, into nine separate and distinct Classes pursuant to section 1122(a) of the Code, and sets forth the treatment offered each Class. A Claim or Interest will be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and will be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class. A Claim is in a particular Class and entitled to a distribution only to the extent that the Claim is an Allowed Claim in that Class.

Under the Plan, a Claim is "Allowed" to the extent that: (a)(1) the Claim was timely filed or the Claim was listed in the Schedules and not listed therein as disputed, contingent or unliquidated as to amount, and (2) the Debtors, the Reorganized Debtors or any other party in interest entitled to do so has not yet filed an objection and does not file an objection prior to (i) in the case of Class 6 Claims other than rejection claims, the Rights Offering Commencement Date, and (ii) in the case of all other Claims, the Effective Date of the Plan; or (b) the Claim is allowed by a Final Order of the Bankruptcy Court; or (c) the Claim is allowed by the Plan.

In accordance with section 1123(a)(1) of the Code, two categories of Claims are not classified under the Plan: Administrative Claims and Priority Tax Claims. Administrative Claims are Claims entitled to priority under sections 507(a)(1) and 503(b) of the Code, which Claims (other than claims for taxes, trade debt and customer deposits and credits incurred in the ordinary course of business after the Petition Date), to the extent they arose between the Petition Date and the Confirmation Date, are required to be filed by the party asserting such Claim within 15 days after the Confirmation Date. Administrative Claims that arose between the Confirmation Date and the Effective Date must be filed by the party asserting such Claim within 15 days after the Effective Date. The Debtors will review all filed Administrative Claims, and object to such Claims as necessary. Arch has waived its right to object to Administrative Claims constituting professional fees. Priority Tax Claims include certain federal, state and local taxes. Approximately 600 such Claims have been filed against the Debtors in the Cases. The Debtors are in the process of resolving all filed and unfiled Priority Tax Claims asserted in the Cases. Pursuant to an order entered by the Bankruptcy Court granting the Debtors authority to pay pre-petition property tax claims, the Debtors have already satisfied more than 400 of these claims.

The following is a summary of the manner in which Claims and Interests are classified in the Plan, together with a description of the estimated amounts of Allowed Claims and Interests included in each such Class as of ____________, 1998.

(a) *Class 1 -- Priority Claims.* Allowed Claims against any of the Debtors, if any, with priority pursuant to sections 507(a)(3), 507(a)(4) or 507(a)(6) of the Code are classified in Class 1. Most liquidated Class 1 Claims have already been paid pursuant to orders of the Bankruptcy Court. Excluding priority customer deposits held by the Debtors in the ordinary course of business (and payable to subscribers in the ordinary course of business pursuant to an order of the Bankruptcy Court entered on the Petition Date), the aggregate estimated amount of these Allowed Class 1 Claims is $ ____________________.

(b) *Class 2 -- Miscellaneous Secured Claims.*

- *Description of Miscellaneous Secured Claims.* Miscellaneous Secured Claims are Secured Claims against any of the Debtors not classified in Class 4, and might include, for example, claims for the delivery of goods or services to the Debtors to the extent of any cash deposit made by the Debtors before, and remaining unapplied on, the Petition Date.

- *Classification Scheme.* Allowed Secured Claims that are not otherwise classified pursuant to the Plan are classified in Class 2. The aggregate estimated amount of these Allowed Class 2 Secured Claims is $ ______.

(c) *Class 3 -- Customer Refund Claims.*

- *Description of Customer Refund Claims.* Class 3 consists of all Customer Refund Claims against any of the Debtors not otherwise classified in Class 1 or Class 2. Most Class 3 Claims have already been paid pursuant to an order of the Bankruptcy Court.

- *Classification Scheme.* Customer Refund Claims not otherwise classified in Classes 1 or 2 are classified in Class 3.

The aggregate estimated amount of Allowed Class 3 Claims is $__.

(d) *Class 4 -- Claims under or related to the 1995 Credit Agreement.*

- *Description of Claims under or related to the 1995 Credit Agreement.* As discussed in Section II.A.1., in connection with the MobileComm Acquisition, Communications entered into the 1995 Credit Agreement with the Pre-Petition Lenders. The 1995 Credit Agreement provides for term loans in an aggregate principal amount of $550 million and a $200 million revolving loan facility.

Communications' obligations to the Pre-Petition Lenders under the 1995 Credit Agreement are secured by Liens on substantially all the assets of Communications. As further security for Communications' obligations to the Pre-Petition Lenders under the 1995 Credit Agreement, Communications entered into a Guaranty and Pledge Agreement, and each of the Debtors other than Communications entered into a Guaranty and Security Agreement, pursuant to which agreements each of the Debtors other than Communications guaranteed Communications' obligations to the

Lenders under the 1995 Credit Agreement and granted to the Pre-Petition Agent a lien on and security interest in all of its assets (including any stock owned by it) to secure such guaranty.

As of the Petition Date, $550 million in principal amount was outstanding in respect of the term loans and $99 million in principal amount was outstanding under the revolving credit facility, in each case exclusive of accrued and unpaid interest. As of the Petition Date, approximately $21 million in accrued and unpaid interest was owed to the Pre-Petition Lenders. The full amount of pre-petition interest owing to the Pre-Petition Lenders was paid to the Pre-Petition Lenders as adequate protection in accordance with the order approving the DIP Facility.

- *Classification Scheme*. Allowed Secured Claims in Class 4 consist of the following unpaid obligations arising under the 1995 Credit Agreement, and will be Allowed in an aggregate amount equal to: (i) $649,000,000 <u>minus</u> the Net Tower Sale Proceeds actually paid to the Pre-Petition Agent on behalf of the holders of Allowed Class 4 Claims; (ii) reasonable accrued and unpaid commitment, letter of credit and similar fees under the 1995 Credit Agreement, in an amount, as of the Petition Date, equal to $179,148.29, together with any such amounts accrued after the Petition Date and unpaid as of the Effective Date; (iii) the unpaid, reasonable costs and expenses of the Pre-Petition Agent, to the extent provided in the 1995 Credit Agreement; and (iv) the unpaid, reasonable costs and expenses of the members of the Steering Committee for the Pre-Petition Lenders, other than the Pre-Petition Agent, up to the aggregate amount of $1,000,000. Adequate protection payments in connection with, and the costs and expenses of the Pre-Petition Agent arising under, the 1995 Credit Agreement shall continue to be paid in cash through the Effective Date at the rate and in the manner set forth under the DIP Approval Orders. Class 4 Claims shall not include interest accrued at the default rate under Section 5.4(c) of the 1995 Credit Agreement or otherwise.

(e) *Class 5 -- Claims arising under or related to the Dial Page Notes.*

- *Description of Claims with respect to the Dial Page Notes.* Communications is party to an Indenture dated as of February 1, 1993 (as supplemented and amended, the "Dial Page Indenture") with Norwest Bank Minnesota, N.A., as successor Trustee, pursuant to which Dial Page, Inc. ("Dial Page") originally issued $85,000,000 of 12¼% Senior Notes due February 15, 2000 (the "Dial Page Notes"). As a result of the Dial Page Acquisition, Communications assumed the obligations of Dial Page under the Dial Page Indenture. Concurrently with that acquisition, Communications repurchased the majority of the Dial Page Notes from the holders thereof. The Dial Page Notes are unsecured and interest is payable semi-annually thereon each February 15 and August 15 of each year until maturity.

- *Classification Scheme*. Allowed Claims against any of the Debtors arising under or related to the Dial Page Notes and related agreements (other than Note Litigation Claims) are classified in Class 5.

Class 5 Claims will be Allowed Claims in the sum of: (i) the outstanding principal amount of the Dial Page Notes; (ii) unpaid interest on the Dial Page Notes accrued to the Effective Date calculated at the non-default rate set forth in the Dial Page Notes; and (iii) the unpaid reasonable fees and expenses of the trustee for the Dial Page Notes incurred prior to the Petition Date, to the extent provided for in the Dial Page Indenture.

The aggregate estimated amount of these Allowed Class 5 Claims is $________, including $1,570,000 principal amount, approximately $88,149 in accrued and unpaid pre-petition interest, and approximately $______ in accrued and unpaid post-petition interest.

Allowed Claims for certain fees and expenses of the indenture trustee for the Dial Page Notes as provided for under the Dial Page Indenture are included in Class 5 but are not included in the above aggregate amounts, as they have not been estimated by the Debtors.

(f) *Class 6 -- Non-Priority Unsecured Claims*

- *Description of Non-Priority Unsecured Claims*. The Debtors' unsecured claims fall into four basic categories:

  (i) Subordinated Note Claims: Communications is party to an Indenture dated as of November 13, 1995 with State Street Bank and Trust Company, as Trustee, pursuant to which Communications issued $250,000,000 of 9⅜% Senior Subordinated Notes due November 1, 2007 (the "9⅜% Notes"). The 9⅜% Notes are unsecured. Interest on the 9⅜% Notes is payable semi-annually, on May 1 and November 1 of each year.

  Communications is also party to an Indenture dated as of December 1, 1993 (as supplemented and amended, the "10½% Indenture") with First Trust USA (as successor to BankAmerica

National Trust Company), as Trustee, pursuant to which Communications issued \$210,000,000 face amount of 10½% Senior Subordinated Deferred Coupon Notes due December 1, 2003 (the "10½% Notes" and, together with the 9⅜% Notes, the "Subordinated Notes"). The 10½% Notes are unsecured and were issued at a price of \$599.48 for each \$1,000.00 principal amount, with interest on the 10½% Notes being capitalized and the principal amount accreting until December 1, 1998. Thereafter, interest on the 10½% Notes is payable semi-annually, on June 1 and December 1 of each year, beginning June 1, 1999.

(ii) General Unsecured Claims: The Debtors listed various trade and other unsecured claims in the Schedules. A number of these creditors have filed claims in excess of their scheduled amounts, and certain creditors that were not listed in the Schedules (including parties to contracts and leases that have been or will be rejected by the Debtors as provided for under the Code) have filed (or will file) Claims against the Debtors. Many of such Claims have already been resolved through the claims objection process, and the Debtors will continue to review these filed Claims, attempt to reconcile them with their books and records and file additional objections as necessary. A Claim listed in the Debtors' Schedules, and not listed as disputed, contingent or unliquidated as to amount and as to which the creditor agrees with the amount, will be Allowed in the amount set forth on the Schedules.

(iii) Litigation Claims: Several parties have asserted Claims against the Debtors based on disputes that were the subject of lawsuits or other actions commenced prior to the Petition Date, or that would have been commenced but for the filing of the Cases and the imposition of the automatic stay of section 362 of the Code.

(iv) Personal Injury Claims: In addition to the litigation claims described above, certain parties have asserted Claims against the Debtors for personal injuries. In accordance with 28 U.S.C. § 157(b)(5), these Claims will be tried, if necessary, in the District Court for the District of Delaware or the District Court for the District in which the Claim arose (as determined by the District Court for the District of Delaware), and once reduced to judgment will be treated as Allowed Claims in Class 6.

- *Classification Scheme*. All Allowed Claims against any of the Debtors arising under or related to the Subordinated Notes and related agreements (other than Note Litigation Claims) and all other non-priority Unsecured Claims, other than Customer Refund Claims classified in Class 3, Claims arising under or related to the Dial Page Notes classified in Class 5, Note Litigation Claims classified in Class 7, Common Stock Claims classified in Class 8 and Subsidiary and Subordinated Indemnity Claims classified in Class 8, are classified in Class 6.

Class 6 Claims other than Subordinated Noteholder Claims and Personal Injury Claims will be allowed or disallowed in accordance with Section 4.4(B) of the Plan and applicable provisions of the Code and Bankruptcy Rules. Subordinated Noteholder Claims other than Claims of the indenture trustees under the Subordinated Indentures will be Allowed Claims in the sum of: (x) the outstanding principal amount (or outstanding accredited principal amount, as the case may be) of the Subordinated Notes and (y) unpaid interest on the Subordinated Notes accrued prior to the Petition Date calculated at the non-default rate set forth in the Subordinated Notes. Subordinated Noteholder Claims for the indenture trustees under the Subordinated Indentures will be Allowed Claims in an amount equal to the unpaid reasonable fees and expenses of each such trustee incurred prior to and after the Petition Date through the Effective Date, to the extent provided for in the Subordinated Indentures. Personal Injury Claims will be liquidated and allowed or disallowed in the district court in which the Cases are pending, or in the district court in the district in which the claim arose, as determined by the district court in which the Cases are pending.

The aggregate estimated amount of the Allowed Claims in Class 6, excluding unliquidated or contingent claims that have not been estimated, is $___________, consisting of:

(i) 9⅜% Notes, in the estimated aggregate amount of $267.8 million, including $250 million principal amount and approximately $17.8 million in accrued and unpaid pre-petition interest;

(ii) 10½% Notes, with an aggregate accreted value of approximately $174 million; and

(iii) other general unsecured claims in the amount of ______.

Allowed Claims for certain fees and expenses of the indenture trustees for the Subordinated Notes incurred as provided under the

Subordinated Note Indentures are included in Class 6 but are not included in the above aggregate amounts, as they have not been estimated by the Debtors.

(g) *Class 7 -- Note Litigation Claims.*

- *Description of Note Litigation Claims.* Note Litigation Claims consist of all claims against any of the Debtors of the kind described in section 510(b) of the Code arising out of the ownership of the Notes, including claims asserted in or by parties to the Securities Actions and related claims of officers, directors and underwriters for contribution, reimbursement or indemnification. See Section I.A.7.(b).

- *Classification Scheme.* By operation of section 510(b) of the Code, Note Litigation Claims are subordinated to Claims under the Notes and are classified in Class 7. The Debtors have not estimated the amount of the Note Litigation Claims.

(h) *Class 8 -- Common Stock Claims and Interests and Subordinated Indemnification Obligation Claims.*

- *Description of Common Stock Claims and Interests.* There were approximately 45.6 million shares of MobileMedia Class A Common Stock and approximately 2.36 million shares of MobileMedia Class B Common Stock issued and outstanding as of June 30, 1998. Holders of such Common Stock have Interests as equity holders in MobileMedia. In addition, certain of such holders have asserted claims against MobileMedia arising out of their equity ownership, including claims asserted by the plaintiffs to the Securities Actions and related claims of officers, directors and underwriters for contribution, reimbursement or indemnification. By operation of section 510(b) of the Code, the Claims arising out of the ownership of Common Stock are subordinated to Unsecured Claims and are pari passu with the equity interests of the holders of the Common Stock. Class 8 also includes any claims against the Debtors for contribution, reimbursement or indemnification held by: (1) all individuals who were directors of the Debtors at any time prior to the Effective Date, (2) any present or former officer considered or determined as of the Effective Date by the FCC to be an actual or alleged wrongdoer for purposes of the Debtors' FCC Proceeding, (3) any present or former officer now or hereafter named as a defendant in the Securities Actions, as to claims arising out of the matters alleged in the Securities Actions, (4) any present or former officer named as a defendant in any action initiated after the date hereof based upon similar factual allegations, or alleging similar causes of action, to the Securities Actions, as to claims arising out of the matters alleged therein, (5) any officer or employee of the Debtors who is not an officer or employee of the Debtors as of the Effective Date, and (6) any present or former professionals and advisors of the Debtors, including, without limitation, accountants, auditors, financial consultants, underwriters or attorneys (other than indemnification obligations arising out of post-petition agreements approved by the Bankruptcy Court). Also classified in Class 8 are all other contribution, reimbursement or indemnification obligations of the kind described in section 510(b) of the Code.

- *Classification Scheme*. (i) Interests of holders of the Common Stock of MobileMedia, (ii) options, warrants and other rights to purchase the Common Stock of MobileMedia, (iii) Claims arising out of ownership of the Common Stock of MobileMedia and (iv) the various indemnification obligations described in the immediately preceding paragraph are classified in Class 8.

(i) *Class 9 -- Subsidiary Claims and Interests.*

- *Description of Subsidiary Claims and Interests*. Subsidiary Claims consist of Claims by a Debtor against another Debtor; Subsidiary Interests consist of the Interests of a Debtor in another Debtor based on the ownership of the stock of such Debtor.

- *Classification Scheme*. Subsidiary Claims and Interests are classified in Class 9.

B. Treatment of Claims and Interests

1. <u>Treatment of Claims and Interests Generally</u>.

Article II of the Plan designates Classes of Claims and Interests and provides for the treatment of and consideration to be provided to holders of Allowed Claims and Interests under the Plan. A Claim or Interest will be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class. Administrative Claims and Priority Tax Claims have not been classified in accordance with section 1123(a)(1) of the Code, although the treatment for such unclassified Claims is set forth below. The treatment of, and consideration to be provided to, holders of Allowed Claims and Interests pursuant to the Plan will be in full settlement, release and discharge of such Allowed Claims and Interests; <u>provided</u>, that such discharge will not affect the liability of any other entity on, or the property of any other entity encumbered to secure payment of, any such Claim or Interest, except as otherwise provided in the Plan; and provided, further, that such discharge will not affect the Reorganized Debtors' obligations under and pursuant to the Plan. The treatment of and consideration to be provided to Allowed Claim and Interest holders in each Class will apply to all of the Cases. No Claim will entitle the holder thereof to a distribution of cash or securities or to other consideration pursuant to the Plan unless, and only to the extent that, such Claim is an Allowed Claim.

2. Treatment of Administrative Claims and Priority Tax Claims.

(a) *Administrative Claims.* In accordance with section 1123(a)(1) of the Code, Section 2.1(A) of the Plan provides that, subject to the provisions of Section 4.4(A) of the Plan and unless otherwise agreed by the holder of an Allowed Administrative Claim (in which event such other agreement will govern), each holder of an Allowed Administrative Claim will receive on account of such Administrative Claim: (i) cash equal to the unpaid amount of such Allowed Administrative Claim; or (ii) at the option of Reorganized Communications, payment in accordance with the ordinary business terms of such Allowed Administrative Claim. Section 2.1(B) of the Plan provides that on or before the Effective Date, Administrative Claims for fees payable pursuant to section 1930 of title 28 of the United States Code, 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid in cash in an amount equal to the amount of such Administrative Claims. All such fees payable after the Effective Date will be assumed by the Reorganized Debtors. Section 2.1(C) of the Plan provides that Administrative Claims based on liabilities incurred by the Debtors in the ordinary course of their businesses will be assumed and paid by Reorganized MCCA pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such Claims. Section 2.1(D) of the Plan provides that Arch will make available to Reorganized Communications any monies necessary for Reorganized Communications to make timely payment of all Administrative Claims.

(b) *Priority Tax Claims.* In accordance with section 1123(a)(1) of the Code, Section 2.2 of the Plan provides that priority tax claims of the kind specified in sections 507(a)(8) of the Code are not classified. Unless otherwise agreed by the holder of an Allowed Priority Tax Claim (in which event such other agreement will govern), each holder of an Allowed Priority Tax Claim against any of the Debtors will, on the Effective Date, receive, at Arch's option, either (a) cash equal to the amount of such Allowed Priority Tax Claim or (b) a promissory note payable by Reorganized Communications in a principal amount equal to the amount of such Allowed Priority Tax Claim on which interest will accrue from and after the Effective Date at the rate of 7% or such higher or lower rate as is determined by the Bankruptcy Court to be appropriate under section 1129(a)(9)(C) of the Code and will be paid semiannually in arrears; the principal amount of the promissory note will be paid in full on a date or dates six (6) years after the date of assessment of such Allowed Priority Tax Claim.

3. Treatment of Classes Not Impaired Under Plan.

By virtue of the provisions of Article II of the Plan, the Allowed Claims in Classes 1, 2, and 3 are unimpaired under the Plan.

> (a) Allowed Claims in Class 1 will be paid in full in cash on the later of the Effective Date and a date that is as soon as practicable after the date upon which such Claim becomes an Allowed Priority Claim.
>
> (b) The legal, equitable and contractual rights to which each holder of an Allowed Claim in Class 2 or 3 is entitled will be left unaltered by the Plan or, at the option of the Reorganized Debtors, will be left unimpaired in the manner described in section 1124(2) of the Code.

4. Treatment of Classes Impaired Under Plan.

By virtue of the provisions of Article II of the Plan, the Allowed Claims and Interests in Classes 4, 5, 6, 7, 8 and 9 are impaired under the Plan. The Debtors believe that the treatment afforded all Classes of Claims and Interests under the Plan fully comports with the requirements of the Code and case law.

> (a) *Treatment of Class 4.* Each holder of an Allowed Claim in Class 4 will receive, in full satisfaction of its Claim, cash equal to the amount of its Allowed Claim, payable in accordance with Section 4.3(A) of the Plan.
>
> (b) *Treatment of Class 5.* Each holder of an Allowed Claim in Class 5 will receive, in full satisfaction of its Claim, cash equal to the full amount of its Allowed Claim, payable in accordance with Section 4.3(B) of the Plan.
>
> (c) *Treatment of Class 6.* Each holder of an Allowed Claim in Class 6 (other than the indenture trustees under the Subordinated Indentures) will receive:
>
> > (i) for each holder of an Allowed Class 6 Claim as of the record date set for the initial Rights Offering (the "Rights Offering Initial Record Date"), its pro rata share of the Rights being distributed on such date by Arch to holders of Allowed Class 6 Claims;
> >
> > (ii) for each holder of a Claim that becomes an Allowed Claim after the Rights Offering Initial Record Date but before the Confirmation Date (A) from Arch, as soon as practicable after the Confirmation Date, that number of Rights equal to the number of Rights that such holder would have received had such holder's

Claim been Allowed as of the Rights Offering Initial Record Date or, (ii) if the number of Rights in the Rights Reserve on the Confirmation Date is insufficient to make the distribution set forth in clause (A), from Arch, (x) the Holder's ratable share of the Rights actually in the Rights Reserve on such date and (y) an amount of cash equal to the value of the Rights such holder did not receive due to the insufficiency of the Rights Reserve, such value to be determined based on the actual proceeds received from the sale of the Rights Reserve pursuant to Section 4.1(B)(5) of the Plan;

(iii) from Arch on the Effective Date, if such holder has exercised any or all of its Rights in accordance with the terms and conditions thereof, for each Right so exercised, a Unit;

(iv) holders of Claims in Class 6 that are not Allowed until after the Confirmation Date will receive from Arch (after the Effective Date), in lieu of Rights, cash equal to the value of the Rights such holders would otherwise have received, such value to be determined based on the actual proceeds received from the sale of the Rights Reserve pursuant to Section 4.1(B)(5) of the Plan;

(v) if such Claim is an Allowed Claim on the Effective Date, on or as soon as practicable after the Effective Date, its pro rata share of the pool of Arch Common Stock to be issued to holders of Class 6 Claims under the Plan (the "Creditor Stock Pool") minus shares withheld in connection with Disputed Class 6 Claims or (y) if such Claim is not an Allowed Claim on the Effective Date, on a later date after which the Claim is Allowed, its pro rata share of the Creditor Stock Pool minus shares withheld in connection with Disputed Class 6 Claims; and

(vi) on a "Final Distribution Date", each holder of an Allowed Class 6 Claim will receive its pro rata share of the Arch Common Shares, if any, that remain in the Creditor Stock Pool; provided, that if on the day the final Disputed Class 6 Claim is resolved, there are 10,000 or fewer Arch Common Shares remaining in the Creditor Stock Pool, no distribution will be made to holders of Allowed Class 6 Claims, and the Arch Common Shares remaining will be returned to Arch and become treasury shares.

Section 2.8(C)(2) of the Plan provides that in lieu of the foregoing treatment, any holder of a Claim in Class 6 of $1,000 or less may elect, by marking the appropriate box on the Ballot sent to such holder, to receive cash equal to 50% of its Allowed Claim, or, if such holder's claim is in excess of $1,000, such holder may elect to have its Claim reduced to and Allowed at $1,000 and receive cash with respect to such reduced Claim in accordance with Section 2.8(C)(2) of the Plan.

The number of Arch Common Shares constituting the Creditor Stock Pool may be reduced if, on the Effective Date, the Debtors' estimate (which estimate must be agreed to by Arch) of the aggregate amount of certain administrative and other claims (collectively, "Capped Administrative Claims"), plus the costs and expenses of the Standby Purchasers, exceeds $34 million. Capped Administrative Claims are defined under the Plan to mean (i) Priority Tax Claims, (ii) Administrative Claims for bonuses payable to employees and professionals on or as a result of the occurrence of the Effective Date, cure payments under section 365(b)(1) of the Code and accrued and unpaid fees and expenses of professionals to the Debtors and the Committee and (iii) certain costs and expenses relating to Allowed Claims in Classes 4, 5 and 6. The Debtors currently estimate that Capped Administrative Claims, together with the costs and expenses of the Standby Purchasers, will not exceed $34 million; however, any such excess would reduce the number of Arch Common Shares available for distribution to holders of Allowed Class 6 Claims by such excess divided by $25.315.

Section 2.8(C)(3) of the Plan provides that on the Effective Date, the Reorganized Debtors will pay to the indenture trustees under the Subordinated Indentures cash equal to the amount of fees and expenses of the indenture trustees (including the reasonable fees and expenses of counsel retained by the indenture trustees), in accordance with and to the extent provided for in the Subordinated Indentures, whether incurred prior or subsequent to the Petition Date, without application by or on behalf of the indenture trustees or their respective counsel to the Bankruptcy Court.

Moreover, the number of Arch Common Shares in the Creditor Stock Pool that will be reserved for distribution to subsequently Allowed Class 6 Claims will be determined prior to the date that certain Class 6 Claims that arise out of rejected executory contracts and leases have been filed. It is therefore possible that the aggregate amount of all subsequently Allowed Class 6 Claims will exceed the aggregate amount for which a reserve was established, in which event certain holders of Allowed Class 6 Claims might receive a reduced, or no, distribution on account of such Allowed Claims. Because the reserve the Debtors will be establishing will have in it shares sufficient to provide distributions to all holders of filed Disputed Class 6 Claims at the full filed amount of such claims, however, the Debtors believe that the possibility of having insufficient shares to satisfy all subsequently Allowed Class 6 Claims is remote.

(d) *Treatment of Class 7.* Claims in Class 7 will not be entitled to receive or retain any property on account of their Note Litigation Claims.

(e) *Treatment of Class 8.* Interests in Class 8 will be canceled and the holder of Claims and Interests in Class 8 will not be entitled to receive or retain any property on account of their Claims and Interests.